INTERNATIONAL TRADE – 1955

A Report by the Secretariat on Trade, Trade Barriers and the Activities of the CONTRACTING PARTIES

The draft of two sections of Part II is attached hereto, namely, Customs Tariffs and Export Promotion. Any contracting party wishing to make suggestions is requested to do so not later than 23 April.

A draft of the section on Quantitative Restrictions will follow in a few days.
PART II

DEVELOPMENTS IN COMMERCIAL POLICY

Measures taken by governments, bearing directly on international trade, are the subject of this Part. The following survey of action in 1955 suggests that there has been no general tendency to increase protective measures against foreign products. The binding of import duties under the General Agreement on Tariffs and Trade continues to lend stability to a large part of the customs tariffs of the thirty-five governments which are contracting parties to the Agreement and which conduct more than 80 per cent of world trade. During the year additional reductions and bindings were negotiated in connexion with the accession of Japan and, as will be reported in Part III, twenty-five contracting parties are at present engaged in a negotiating conference for a further exchange of concessions. A number of bindings were withdrawn or modified during 1955, in accordance with the provisions of the General Agreement, but these were replaced by compensatory concessions on other items. As for the rates of duty which are not bound under GATT the reductions introduced in 1955 appear to be at least as important as the increases. In a number of countries which are encouraging the establishment of industry there is a tendency to overhaul the tariff structure and to introduce higher duties with the intention to eliminate administrative measures controlling the movements of goods and to restore most-favoured-nation customs tariffs as the principal instrument of commercial policy.

Import restrictions applied by means of quotas, licences or similar measures have not, generally, been intensified to safeguard balances of payments or to afford protection to individual industries (although there remains a significant "hard core" of such restrictions) and the trend toward relaxation in a number of countries, which became apparent in 1954, has been extended particularly for purchases from the dollar area. On the other hand, measures taken by governments to assist and encourage their sales abroad remained an important factor last year, and fears have been expressed in many quarters that the widespread resort to incentives of various sorts to stimulate such sales and to open new markets may distort the pattern of trade and eventually hamper the development of international economics.

CUSTOMS TARIFFS

The revision of customs tariffs - their modernization, the adoption of an improved nomenclature, the upward and downward adjustment of protective duties, changes in fiscal tariffs - has continued in 1955 but, so far as can be seen, without greatly changing the general level of tariff rates. The first section below will be devoted to a description of tariff reforms including the revision of nomenclature as well as the general structure of rates. Changes in duties on particular items will be reported in subsequent sections.
Tariff Reforms

In Europe Many European countries are adapting their tariffs to the final version of the standard nomenclature approved in 1955 by the Customs Co-operation Council in Brussels. The first country to introduce the new nomenclature is France, whose new tariff became effective on 1 January 1956; this involved a few minor adjustments in rates of duty. A number of other European countries are preparing to adopt the Brussels nomenclature. Austria is combining a basic tariff reform with the introduction of the new nomenclature. The draft tariff, which has been available since June 1955, provides for a general increase in the level of duties and for the change of most rates from specific to ad valorem. Austria is negotiating with other contracting parties to the General Agreement concerning the proposed changes which will affect items in the GATT schedule. Denmark is preparing a tariff reform but as a matter of greater urgency is considering the replacement of the specific duties on textiles by ad valorem duties; alternative ad valorem rates for textile items are already provided in the Danish GATT Schedule. The Federal Republic of Germany has announced that the changes resulting from the adoption of the Brussels nomenclature will come into force early in 1958. Italy intends to pass a new tariff law based on the new nomenclature and meanwhile the system of temporary tariff reductions was extended until July 1956, although a number of temporary suspensions and reductions were withdrawn. In Sweden, pending the introduction of a revised tariff, higher protective rates have been applied on certain products, mainly textiles.

In Latin America A new tariff based on the Brussels nomenclature was submitted to the Congress in Brazil in December 1955. This tariff will provide higher rates of duty - 10 per cent for essentials, 10 to 60 per cent for products to be protected, and 60 to 150 per cent for luxury items. In Mexico a revision of the 1930 tariff was in preparation for a number of years; the new tariff was completed in November 1955 and is expected to come into force in March 1956. In Central America a new tariff became effective in Honduras in April 1955; there are some reductions, but on the whole the rates are higher especially on many luxury goods. This tariff provides for some mixed specific and ad valorem duties, but most of the rates are ad valorem. In Nicaragua a new tariff - replacing the specific tariff of 1918 - was introduced in July 1955. Like the Costa Rican and Honduran tariffs, this is based on the customs nomenclature (the so-called "NAUCA") approved by the Central American States, which is an elaboration of the standard international trade classification drawn up by the United Nations for statistical purposes. The revision of the Nicaraguan tariff was intended to serve principally fiscal rather than protective purposes. This tariff has two columns: the first provides specific rates while the second contains additional ad valorem duties based on c.i.f. values. Many additional charges and special taxes were incorporated in the new tariff. Haiti is also preparing a tariff revision which will probably include the adoption of a new nomenclature.
In Asia. A new tariff based on the Brussels nomenclature became effective in Iraq on 1 January 1956 to replace the tariff of 1933 which was based on the League of Nations nomenclature. For many raw materials needed for industrial development reduced rates are now provided, if they are not exempted from duties, while many duties on goods which compete with locally-manufactured products and on luxury goods have been increased. In the Philippines a very extensive increase of the tariff rates took place with effect from 1 January 1956; most rates were raised by 30 per cent, but for some luxury products the new rates are ten times the former duties. It was stated by the Philippine Government that this represented emergency action pending the introduction of a new tariff which is in course of preparation. Thailand considerably increased its import duties in September 1955. These changes were mainly intended for fiscal purposes and in some cases to permit a relaxation of the existing import controls. The Taiwan Government revised its customs tariff in January 1955. The new tariff provides for reduced rates on essential products and higher rates on luxury goods, and eliminates the tariff concessions previously granted by China. In Vietnam an extensive change of the tariff system took place in April 1955. The minimum rates are applicable to imports from the thirteen countries, including Cambodia and Laos, which grant most-favoured-nation treatment to Vietnam; imports from other countries have to pay the maximum rates which are twice as high as the minimum duties. In India and Pakistan protective duties are introduced after consideration of applications by their respective Tariff Commissions which are independent bodies. Protection is granted for a limited number of years and the Commission reviews the position periodically. In 1955 these Tariff Commissions made a number of recommendations to withdraw protection or to introduce new protective duties. However, as both Governments maintain revenue duties on most imports in addition to protective duties, the decisions taken by the Governments on the basis of these recommendations have not led in this period to substantial changes in the general level of their import tariffs.

In Africa. As a consequence of the creation of the Federation of Rhodesia and Nyasaland - which comprises the former territories of Southern and Northern Rhodesia and Nyasaland - a new tariff came into force on 1 July 1955. The nomenclature is very similar to that of the former Southern Rhodesian tariff and the level of the most-favoured-nation rates of duty previously applied in the three territories has not been substantially altered. To take account of the obligations under the Congo Basin Treaty, provision was made that the same rates of duty would be applied to imports from all sources entering the parts of the Federation covered by the Treaty; these rates, which are somewhat higher than those previously applied, are lower than the most-favoured-nation tariff of the rest of the Federation.
Reduction of Import Duties

Reductions to promote domestic industry There have been numerous cases in which the tariff rates on specified raw materials and semi-finished products have been reduced or suspended to assist industry generally. To mention only a few examples: Canada reduced its rates on chrome and tungsten, on welded steel and other products for various limited periods. Ceylon reduced the rates on unmanufactured iron and steel in its budget for 1955-56. France provided temporary tariff suspension for many articles such as wire rod, nickel scrap and alloys, e.g., stuffs, rubber thread, castor oil seed and raw castor oil, fireproof bricks, etc. Germany suspended duties to provide various industries with the necessary raw materials and semi-finished products. India freed certain iron and steel products from duty. New Zealand, which applies a system of temporary limited tariff suspensions, provided such suspensions for semi-manufactured types of iron and steel, including wire, cement, etc. In September 1955, Pakistan reduced the duty rate on petrol. In the same month Switzerland suspended its duty on logs and sawn timber. The United Kingdom extended the temporary reductions for iron and steel sheets and plates until March 1957 and for most of the other types of iron and steel until September 1956, and introduced a suspension of duties for blast furnace ferro-manganese which will expire in May 1956 at the same time as the suspension of the duties for nickel and certain ferro-nickel alloys. The United States extended the suspension of duties on copper to June 1958 provided the average price of copper does not fall below 24 cents per lb.

Many countries allow importation of raw materials, machinery, etc. at reduced rates or duty free when destined for particular industries, especially those newly established. Such regulations exist in Australia for various types of industries. In Argentina a measure of this character was extended in May 1955 to the mining industry. Chile provided such advantages for certain of its medium and small mining enterprises. Colombia granted exemption from duty and tax to imports of machinery, appliances, apparatus, etc. not available in Colombia and needed in the construction of bridges and roads. In November 1955 Cuba extended the application of its Industrial Stimulation Law to the new petrochemical refinery at Santiago. Haiti passed a law in August 1955 which grants for ten years the possibility of importing duty-free all materials required to build and run industrial plants. In Iraq a law providing for tariff concessions for imports by developing industries was revised and extended in 1955 as the "law for the encouragement of industrial undertakings". Italy exempted from duty certain machinery for the mining industry and for the exploitation of natural gas. In Jamaica, machinery imported for use in exploration for minerals and petroleum was freed from duty. By a decree effective from July 1955 Nicaragua allows importation duty free or at reduced rates of certain machinery, including parts and accessories, for industries transforming raw materials; an interesting feature of this decree is that industries are differentiated by the proportion of domestic raw materials used, so that those which process exclusively domestically-produced raw materials obtain the greatest advantages while those using foreign raw materials obtain only limited advantages.
Peru exempted machinery, spare parts and tools needed to exploit a concession for the production of electricity. The Philippines extended the list of products which may be imported duty free for "new and necessary" industries. Rhodesia and Nyasaland provided reduced rates for certain raw and semi-finished products if imported for use in specified industries.

**Reductions to promote agricultural production** There is also a tendency, though less marked, to further agricultural production by providing for imports of machinery and raw materials at reduced rates. Ceylon reduced the duties on agricultural machinery. Greece and Guatemala suspended the duty on certain fertilizers. In Haiti the advantages granted for the development of new industrial plant, mentioned in the preceding paragraph, extend to agricultural plantations. Following the poor crops in 1955, Sweden suspended the duties on rye and wheat to be used as fodder.

**Reductions for social and similar reasons** Several countries have reduced or suspended their duties on essential goods in order to prevent or offset an increase in the cost of living. The most extensive reduction for anti-inflationary purposes was in Germany, where more than 250 products were affected, including such items as poultry, certain types of meat, fish, vegetables, fruit, fertilizers, insecticides, building materials, agricultural machinery and many implements and tools for agriculture and handicrafts; the tariff reductions, in some cases 50 per cent or more, will be valid until 30 June 1956. In the Belgian Congo the duty on maize was suspended. Costa Rica reduced the duties on infant food, various chemicals, hides and skins, sewing machines, rubber thread, and tools, and also on certain accessories for motor cars. Duties were reduced in Greece on codfish, herring, frozen beef and mutton, and in Guatemala on rice. Iran also reduced duties on a large number of items affecting the cost of living; there were more than 150 items including cattle, poultry, butter, cheese and other foodstuffs. In August Pakistan reduced its most-favoured-nation rates on drugs and medicines from 36 to 20 per cent and its preferential rates from 26 to 10 per cent. In Rhodesia and Nyasaland the duties on wheat and certain vegetables were partially or wholly suspended.

**Reductions for educational material** The Benelux countries and Denmark joined the International Agreement, drawn up by the CONTRACTING PARTIES, providing duty exemptions for educational material, which resulted in the possibility that the educational and scientific material enumerated in the agreement can be imported into these countries duty free. El Salvador provided in two decrees for the importation of material and apparatus for schools free of duty.

**Reductions for various other reasons** The Government of Greece allowed the duty-free import of products for the area devastated by earthquakes, and this facility has been extended until 30 June 1956. An interesting case is the reduction by Haiti allowing imports of products for sale to tourists at a flat rate of 5 per cent; this measure was intended to afford advantages similar to those granted by other Caribbean countries frequented by tourists. In October 1955 India provided a special duty reduction of 5 per cent of the duty for imports into Pondicherry.
Reductions resulting from bilateral and multilateral negotiations
From February to June 1955 Japan negotiated with seventeen governments with a view to acceding to the General Agreement on Tariffs and Trade. These negotiations resulted in numerous concessions - reductions and bindings - in the Japanese customs tariff as well as in the tariffs of the other negotiating countries (Burma, Canada, Chile, Denmark, Dominican Republic, Finland, Federal Republic of Germany, Greece, Indonesia, Italy, Nicaragua, Norway, Pakistan, Peru, Sweden, United States and Uruguay). The greatest number of concessions was granted by the United States which, in addition to the exchange of concessions with Japan, negotiated on a triangular basis by making offers to countries which themselves made concessions to Japan for which Japan was not able to grant counter-concessions. In July 1954 the United States, as compensation for the increase of the tariff rates on watches, granted concessions to Switzerland on certain pharmaceutical products, surveying instruments, certain clockwork mechanisms, cinematograph cameras, plaits, laces and other typical Swiss products. Germany carried out negotiations under the aegis of GATT with Denmark, Norway and Sweden, which led to the reduction of certain rates, and in November 1955 reduced the import duties on sulphuric acid and related products in consequence of negotiations with the Benelux countries. Finally, France concluded a modus vivendi with Spain which provides for the application of the most-favoured-nation tariff for the first time since 1935.

Increase of Import Duties

Increases to protect the textile industry The tendency noted in International Trade 1954 to provide higher protection for the textile industry persisted in 1955 though the number of instances was more limited. In Ecuador the specific duties on almost all textile products were increased by about a quarter. Sweden increased generally the rates on textiles, as mentioned above in connexion with the reform of the customs tariff. In Syria the duties on many textile products were increased by about 25 per cent of the previous rates. South Africa raised the tariff rates on clothing and certain towelling and other materials.

Increases to protect other industries Duties were raised in the Dominican Republic on dyes and dye-stuffs, in Greece on chinaware and pottery, in Haiti on enameware and certain sacks for packing, in Pakistan on firebricks, and in Peru on iron and steel pipe. Sweden introduced a specific duty on the importation of beer in connexion with the relaxation of the laws restricting the consumption of alcoholic beverages. In August 1955 the United States increased the duties on bicycles by resort to the escape clause for emergency action; the duty on the lighter types of bicycle was raised from 7.5 to 11.25 per cent and on the heavier types from 15 to 22 1/2 per cent. France increased the duties on watches and watch movements by 100 to 150 per cent, when increasing the import quota for watches, and reimposed the suspended duties on a number of items, including aluminium and shoes.
Increases to protect agriculture  In August 1955 Haiti increased the duty on potatoes from 0.12 to 0.25 gourdes per kg. In December New Zealand introduced alternative ad valorem rates on split peas. Italy raised the duties on various types of cheese; partly by withdrawing temporary reductions previously applicable.

Increases for fiscal reasons  There appear to be very few instances in which duties were increased mainly for fiscal reasons in the period under review. One case seems to be the increases on spirits and some luxury products provided for in Ceylon by the budget for 1955-56. Some of the increases on textile products in Syria, mentioned above, for example the duties on tulles and lace, may be considered as being the result of fiscal considerations.

Anti-dumping and similar duties  Some countries have made provision for the levy of special duties to afford protection against abnormally low-priced imports, or to deal with questions which arise in connexion with imports from state-trading countries where production costs cannot be ascertained. For example, in Belgium the Government has provided for the levy of a "safeguarding" duty on low-priced imports and has applied such duties to imports of matches, bath tubs and some cotton and artificial silk textiles from certain state-trading countries. And in South Africa, following an amendment of the Customs Law in 1955, special duties may be levied on goods judged to be imported below a "reasonable" price; such duties have been imposed on certain textile imports. A few anti-dumping duties have been imposed in 1955. South Africa applied duties on metal bolts and nuts, certain electrical accessories and nylon stockings from the United Kingdom, on brake linings from the United Kingdom and the United States, and on certain types of cotton yarn from Egypt. The United States imposed an anti-dumping duty on certain cast iron and soil pipes from the United Kingdom. Sweden, on the other hand, removed the anti-dumping duties on nylon stockings, in consequence of a complaint brought before the CONTRACTING PARTIES by Italy.

Customs Unions and Preferences

In 1955 there were changes in several tariff arrangements which depart from the strict application of most-favoured-nation treatment. There have been some developments in plans for the formation of customs unions, and in addition some new preferences have been granted while in other and more important cases preferential rights have been limited or withdrawn.

Customs unions  The new Economic and Financial Convention between France and Tunisia provided for the establishment of a customs union. The freedom of trade between the two countries continues and a uniform tariff entered into force on 1 January 1956. The Organization of Central American States has made some further progress in the preparation of plans for the formation of a customs union. At a conference in Guatemala in August 1955, the Organization's central office was instructed to prepare recommendations on uniform customs tariffs and on free trade within the region. Meanwhile, Costa Rica and Guatemala signed a treaty in December providing for an exchange of preferences which will become effective upon ratification. In February 1956,
a decision was taken at a conference in London to form a Caribbean Federation and customs union including Jamaica, Trinidad and Barbados. The Scandinavian countries, which seemed close to reaching agreement on the formation of a customs union, met again at Copenhagen in January 1956 and decided that studies of the problems involved should be continued. The Agreement of 1949 between South Africa and Southern Rhodesia, providing for the re-establishment of the customs union which had existed prior to 1930, was terminated following the formation of the Federation of Rhodesia and Nyasaland.

Preferential treatment authorized under GATT waivers

As a member of the European Coal and Steel Community, Italy reduced its duties on imports of steel and coke from the other members. The special arrangements between Italy and Libya, whereby Italy grants exemption of duties for specified quotas of certain Libyan products, were extended until the end of 1958; wheat, esparto yarn and certain items of cordage were deleted from the list, while fishmeal, railway sleepers and woollen rugs were added. The provision for duty-free importation of primary products into Australia from Papua-New Guinea was supplemented to include plywood, veneers and certain other timber products for which the most-favoured-nation rates of duty are bound in the Australian schedule. The tariff of the new Federation of Rhodesia and Nyasaland and the trade agreements negotiated by the Federation with South Africa and Australia provide preferential duties for imports from other Commonwealth countries; in addition to the termination of the customs union arrangement with South Africa, the preferential treatment now provided for is, on the whole, less extensive than that previously granted by Southern and Northern Rhodesia.

Other preferential arrangements

The Economic Council of the Arab League recommended to its members that tariff preferences should be granted to certain products of the member countries, and Egypt concluded trade agreements with Syria and Lebanon, still subject to ratification, providing for many preferential rates and exemptions from duty. The agreement between the United States and the Philippines for the gradual withdrawal of preferential rights became operative on 1 January 1956; for the first three years the United States will apply 5 per cent of its duties on imports from the Philippines and the latter will charge 25 per cent of its duties on United States products. The duty-free customs régime between Italy and Eritrea was ended in July 1955 when new arrangements between Eritrea and Ethiopia came into force.

1 Action on these waivers is reported more fully in Part III.
Other Charges on Imports

A number of governments have taken a variety of measures during 1955 imposing or modifying charges on imports which are levied in addition to the ordinary customs duties. The changes during this period do not show on the whole any strong tendency to reinforce the protection given to domestic producers. In two instances - Indonesia and the Philippines - a new charge was introduced to replace exchange taxes previously in force. Another group of changes affect the French compensation tax and the taxes of Argentina and Peru on automobiles which were introduced in connexion with the removal of quantitative restrictions.

In December 1955 Argentina cancelled the licensing procedure for certain types of automobiles but imposed a heavy import tax. In September, Egypt terminated the discriminatory exchange measures against imports from the sterling area and Western Germany, but imposed a 7 per cent tax on all imports, though shortly thereafter exemption was granted for numerous products. In July Ecuador, which groups imported products for exchange purposes according to essentiality, introduced a 10 per cent tax on certain products; and in November introduced an import tax of 0.75 per cent of the f.o.b. value, the proceeds of which are to be used for port works. The special temporary compensation tax imposed by France in April 1954, to afford domestic industry time for adjustment when restrictions were removed from imports from OEEC countries, was removed in October 1955 from about ninety tariff items and the rates of tax were reduced on some 260 items from 15 or 10 per cent to 11 or 7 per cent. On the other hand, an extension of the tax occurred in January 1956 when fifty-six items were added to the list of taxed products. The increase in the customs stamp tax from 2 to 3 per cent, assessed on the total of import duties and additional taxes, to provide funds for family allowances for agricultural workers.

Indonesia revised its import regulations and replaced the previous surcharges by a single exchange tax the rates of which vary from 50 to 400 per cent depending on the essentiality of the product; some items, such as raw cotton and weaving yarn, are exempt. In Peru the surcharge on automobiles, which was introduced when the import restrictions were abolished in August 1954, was increased at the end of 1955. The Philippines Government introduced, with effect from 1 January 1956, a general 17 per cent import tax, based on the c.i.f. value of imported merchandise, to replace the previous 17 per cent exchange tax; the rate is to decrease each year by one-tenth.

The following two changes relate to the application of internal taxation and are reported in this context because the rate on imported products is higher than that to be paid on like domestic products and the difference has the effect of an import charge. Brazil, pending the introduction of its new customs tariff, increased many rates of its consumption tax, by 20 to 50 per cent, on both domestic and imported products, and Italy reduced the special turnover tax on imported pharmaceutical products in April 1955 from 7 to 6 per cent and in January 1956 to 5 per cent. A complaint to the CONTRACTING PARTIES concerning this tax is described in Part III.
Export Duties

Most of the alterations in export duties in the period under review were adjustments to changes in commodity prices on world markets. Through 1955 the prices of some commodities fell and consequently changes in duties were generally in a downward direction in order to maintain exports in competitive markets. The most extensive changes in export tariffs occurred in Indonesia and Libya. Indonesia reduced or eliminated nearly all duties and instead made provision for the payment of premiums on exports of a large number of products (see page ). Libya also abolished most of its export duties. In Pakistan there were several increases in specific duties following the devaluation of the currency, while the incidence of others was allowed to fall. Some details of the changes in export duties in 1955 are given in the following paragraphs.

Coffee The export prices for coffee have fallen continuously since early 1954; Santos No. 4 was selling in New York at 53 cents per pound at the end of 1955. In conformity with this development Indonesia reduced its export duty on coffee to 3 per cent. India reduced the duty of 21 rupees per cwt. in June 1955, but in August a general excise duty of 2/8/- rupees per kg. and an export duty of the same amount were imposed to provide the Coffee Board with funds to carry out a development programme. In the Belgian Congo the ad valorem duties for some types were halved in August, for example, for coffee beans and coffee waste from 18 to 9 per cent, but it should be noted that these duties are levied on the basis of fixed values which were slightly increased in November. In French West Africa, on the other hand, the duties on coffee exports were increased to 9, 12 and 15 per cent in September. In Guatemala the coffee tax system was altered early in 1955 to a sliding scale ranging from 10 per cent to 10 quetzales per 46 kg. plus 25 per cent; this change followed the breakdown of the price agreement with Mexico, El Salvador and Costa Rica early in 1955.

Tea The rates of the tea export duty in India are fixed monthly, on a scale provided by law, on the basis of the average price obtaining in the London market; in 1955 the duty varied between 4 and 8 annas per pound and was fixed at 6 annas for January 1956. Ceylon, which also adapts its tea duty to changes in price, reduced the rate early in 1955 and increased it to 65 cents per pound in September. In Pakistan the duty was raised in October from 3 to 6 annas per pound. In Indonesia the tea export duty was re-established at 4 per cent for the first half of 1955 but was removed in October.

Rubber During 1955 the price of rubber rose from about 30 to 38 pence per pound on the London market. Taking advantage of this continuing boom, the Belgian Congo in March established a 7 per cent tax on exports of raw rubber. At the end of 1955, Ceylon increased the duties on rubber crépe and sheets to provide additional income for its "Rubber Rehabilitation Board". Indonesia which reduced its export duties for many products, introduced several small increases in its duty on rubber in 1955 and raised it from 30 to 640 rupiahs per ton for the first quarter of 1955.
Textile Raw Materials  The price of cotton in New York has been fairly stable, fluctuating between 33 and 35.5 cents per pound. In September Egypt reduced the specific duty on certain types of cotton to stimulate exportation. In India the export duty on some varieties of raw cotton was removed in August to counteract the devaluation of the Pakistan currency. In Pakistan, on the other hand, the export duty on raw cotton was increased from 90 to 135 rupees per bale. In Calcutta the price of raw jute reached its peak early in 1955, but has since fallen to about 160 rupees per 400 lbs. Pakistan, after devaluation, raised its export duty on raw jute in August, from 3 to 4 rupees per maund. In Indonesia manila hemp, sisal and kapok were freed from the 8 per cent duty. In February Greece abolished the duty on goat hair.

Oil seeds, Oils and Oil Cake  In July Ceylon reduced its export duty on copra from 200 to 185 rupees. Indonesia suppressed the export duties on palm oil and palm kernels and reduced those on copra and crude oils to 3 and 4 per cent respectively. In April India removed the export duty on cotton seed oil and reduced the duty on sesame oil from 300 to 75 rupees per ton. Libya removed its export duty on olive oil. The Belgian Congo, on the other hand, increased its export duty on raw palm oil from 7 to 12 per cent.

Iron, tin and radio-active ores  In August India abolished all export duties on iron and steel products which, in some cases, had amounted to 45 per cent. In Mozambique the export duty for radio-active ores was fixed at 10 per cent. Indonesia provided a duty for tin of 8 per cent plus 3.5 rupees per 100 kgs.

Other products  In April the Belgian Congo introduced an export duty of 6 per cent for rauwolfia, which is the raw material for the production of a newly discovered medicine to reduce blood pressure. In Ceylon the duty on cacao was reduced in July from 50 to 40 cents per pound. In Libya export duties were suppressed on barley, wheat, sheep, cattle, horses, camels, wool, butter, henna, skins and hides, leaving only those on scrap metal, sponges, alfalfa and esparto grass. Finally, Indonesia, in connexion with the general review of export taxation, removed duties from sugar, spices, hides and skins, tobacco, essential oils, gums, resins, rattan and shells; factory sugar and tobacco were freed also from the one per cent statistical tax.

Customs Formalities

Consular formalities  The most important change in 1955 in the field of consular formalities was the suppression in October by the United States of the requirements that certain imports must be accompanied by consular visas. In July Brazil revoked the preferential right granted to shippers using the facilities of the Lloyd Brasileiro which consisted of a 50 per cent reduction of the consular fees. Indonesia, which required presentation of consular invoices for imports shipped from Singapore, withdrew this requirement in consequence of an agreement reached with the Singapore authorities.
Certificates of origin Austria now requires a certificate of origin for goods which may be imposed from the United States or Canada without quantitative restriction. The Government of Italy met a long-standing request of importers by enlarging the number of offices entitled to deliver certificates of origin; this was accomplished by a decree, effective from August 1955, which transferred the authority to issue certificates from the provincial offices of the Ministry of Trade and Industry to the Chambers of Commerce, Industry and Agriculture. Japan, on the other hand, introduced legislation requiring that all imported products be accompanied by certificates of origin.

The Samples Convention To conclude this section on customs tariffs, reference should be made to the outcome of one of the endeavours of the CONTRACTING PARTIES to remove barriers which cause every day difficulties in international trade. The International Convention to facilitate the Importation of Commercial Samples and Advertising Material, drafted by the CONTRACTING PARTIES in 1953, came into force on 20 November 1955. The following seventeen governments, three of which are not contracting parties to the GATT, have accepted the Convention—Australia, Czechoslovakia, Denmark, Egypt, Finland, Federal Republic of Germany, Greece, India, Indonesia, Japan, Netherlands, Norway, Pakistan, Spain, Sweden, Switzerland, and the United Kingdom.

QUANTITATIVE RESTRICTIONS

[This section to be distributed]
The three divisions of this section deal with subsidies, export incentive schemes and programmes for the disposal of surplus stocks. Export incentives and surplus disposal generally involve financial support by governments which may have the same purpose and effect as export subsidies. Although from the economic point of view these three types of government action in the field of international trade are closely related, it is appropriate to treat them separately.

In 1955 there was no substantial increase either in the level or in the scope of direct export subsidies, and some other measures, such as currency retention schemes and taxation refunds, were in some cases eliminated or their effect reduced. On the other hand, most governments, in efforts to maintain or expand foreign markets and to increase their export earnings, have organized export drives or have afforded export incentives in various forms. With the accumulation of large surpluses of agricultural products, particularly of cotton, wheat and butter in the United States and of wheat and butter in Canada, the governments concerned have made special arrangements for the disposal of stocks. In view of the lack of authoritative statements from most governments on action taken in these various fields no comprehensive survey can be made, but the following notes will serve to indicate the type of measures adopted and the kind of transactions that have taken place.

Subsidies

At the Ninth Session of the CONTRACTING PARTIES, governments were asked to describe the nature and extent of the subsidies maintained by them which have the effect of increasing exports or reducing imports and to indicate the payments made and their estimated effects on trade. In 1955 thirteen governments reported on their subsidization measures. Most of these subsidies are on domestic production, though in many cases they may have incidental effects on international trade. An examination of these notifications, some details of which are given in the following paragraphs, suggests that there has not been a general extension of measures in this field.

Australia maintains subsidies for seed cotton, flax fibre, certain rayon yarn, sulphuric acid from pyrites of Australian origin, tractors and wheat; these are paid to Australian producers with a view to maintaining domestic prices. The export of cane sugar is subsidized to the extent of any disparity that may exist between the fixed price for domestic sales and the "world parity" price; this subsidy and also those on butter and cheese no doubt influence the volume of exports. Belgium subsidizes the production of dairy products, films and coal. A subsidy of 11,590,000 Belgian Francs is designed to facilitate exports from the Belgian Congo of second and third grade sawn wood. Canada has subsidization measures in force to assist
producers of livestock, pork, cheese and butter, coal, iron and steel. Denmark has abolished the subsidy scheme for sugar for domestic household purposes and now maintains no subsidies apart from the price equalization arrangements for sugar used in industry. In the metropolitan territory of the Kingdom of the Netherlands the consumers' subsidy on milk has been reduced to 3.5 cents per litre and on 1 May 1955 the subsidization system for coal was abolished. Finland has continued to subsidize exports of cheese, butter, pork, bacon and eggs. In the United Kingdom various changes have been made during the year in the food subsidies and in agricultural, fishery and forestry support programmes. The United States Government subsidizes the export of dried raisins and citrus fruit. The rate of payment per unit has been reduced on raisins by 25 per cent to $30 per ton, on fresh oranges from 51.00 in 1953-1954 to 50 cents per box, and on fresh grapefruit from 75 cents in 1953-1954 to 60 cents per box. The subsidy on processed citrus products has been reduced to correspondingly lower figures. In 1954-1955 payments totalled $4.6 million compared with $13 million for 1953-1954.

Since the receipt of the last notifications the Government of the Federal Republic of Germany has increased certain farm subsidies and the Government of Indonesia has introduced export premiums as from October 1955 - 5 per cent on pepper and 10 per cent on a variety of products, including tea and spices.

Export Incentives

An increasing number of governments are providing special arrangements to promote their export trade. The main measures, which will be briefly described, are the remission of direct taxes, the refund of social welfare charges, export credit guarantees; long and short-term advances to exporters on favourable terms, schemes for currency retention and import entitlement, and preferential rates for the conversion of export earnings into domestic currency.

The Council of the Organization for European Economic Co-operation adopted a decision in January 1955 requiring member countries to abolish by 31 December 1955 certain artificial aids to exporters, namely: (i) currency retention schemes or similar practices which involve a bonus on exports or re-exports; (ii) direct subsidies to exporters; (iii) the remission of direct taxes or social welfare charges on industrial or commercial enterprises; (iv) the remission or repayment of indirect taxes beyond the amounts paid on the same products when sold for internal consumption; (v) the charging of insurance premiums under export credit guarantee schemes at rates lower than those appropriate to the risk and costs involved; and (vi) deliveries by governments or their agencies of imported raw materials on better terms than for firms producing exclusively for the home market. Before the end of 1955 some countries announced the abolition or reduction of some of these aids. For example: in June the Federal Republic of Germany abolished the "Foreign Currency Working Capital Fund" on which every exporter had been entitled to draw short-term funds, up to 4 per cent of his gross
export earnings, for the purchase of foreign raw materials urgently required in
the manufacture of products for export, and in December it discontinued the
remission of income and profit taxes on exported products; in August the
Kingdom of the Netherlands brought an end to its system of export-bonus dollar
accounts; and in December France reduced, except for meat and wine, the rates
of refund of social charges and of the fiscal charges on wages from 4.2 to
2.5 per cent and from 7.5 to 5 per cent, respectively. It appears that the
members of the Organization have complied with the decision of January 1955,
except for various measures maintained by France and the dollar export
incentive scheme still in operation in Denmark.

At the beginning of 1955 many European governments had in force some
form of export credit guarantee scheme to cover exporters against risks (such
as changes in value of currency, restrictions on the transfer of payments and
political and war risks) which are not normally accepted by commercial
insurance companies. Under most of these plans between 60 and 90 per cent
of these special risks are insured with the appropriate government department
or agency, the exporter being required to bear the remainder of the risk
involved. During 1955 the Governments of Denmark and the Federal Republic of
Germany authorized an increase in the amounts which may be made available for
export guarantees. Canada and, since 1950, Japan have had export guarantee
systems in operation and the Government of Australia has recently decided to
establish an organization for the same purpose. South Africa and some Asian
and Latin American countries are contemplating similar action. Also govern­
ment agencies and commercial banks with the government's backing have been
granting larger and longer-term credits to exporters than would otherwise be
available. Government finance departments in some countries have issued
directives to the banking system to make more liberal advances to firms
manufacturing for export than to firms producing exclusively for the home
market. In Germany a parliamentary committee has been appointed to consider
ways and means of promoting exports. "Promotion insurance" arrangements are
also in force in some countries, under which governments guarantee a proportion
of the cost involved in market research, advertising, adaptation of production
and in the holding of stocks abroad. During the year competition in these
fields between governments has tended to increase.

In Asia and Latin America increased attention is being devoted to the
promotion of exports, and various measures to this end have been introduced.
The Government of Pakistan, in an endeavour to increase and diversify its
export trade, has introduced a currency retention scheme for the period from
25 October 1955 to 30 September 1956: exporters of sixty-seven primary
commodities are entitled to additional licences to import certain products
up to 15 per cent of their foreign exchange earnings; further, exporters
of fifty-three manufactured products may obtain import entitlement for transport
equipment, machinery and raw materials up to 25 per cent of their foreign
exchange proceeds. These concessions are in addition to the normal licensing
arrangements. The Government of Thailand decided at the beginning of 1955
to reduce the amount of foreign exchange which was required to be surrendered
in connection with exports of rice. In Chile the proceeds from exports of
wine and certain other products may be used to import designated luxury goods, the importation of which is normally prohibited. In Peru the surrender requirements for export proceeds have been varied from time to time and the exporter is permitted to sell that part of the proceeds which is not subject to surrender. Japan, on the other hand, has abolished the "link system" whereby exporters of certain products such as natural and synthetic textiles were assured of supplies of raw materials, and in March 1955 reduced from 10 to 5 the percentage of foreign exchange earnings which exporters may retain for essential imports.

Multiple currency arrangements, to provide especially favourable rates for the conversion of the foreign currency proceeds of exports of selected products, are still maintained by many Latin American countries. In February 1956 the Government of Chile announced its intention to eliminate multiple exchange rates for exports and to allow proceeds to be converted at a free rate in the near future. Uruguay continues to apply differential exchange rates for exports of greasy wool, washed wool, wool tops and broken tops, and has extended the export-bonus scheme for these commodities until 31 March 1956. Various preferential exchange rates are also provided for exporters of some other products including meat, wheat, rice, linseed, woollen textiles and leather goods. In October 1955 Argentina reformed its exchange regulations, whereby eleven exchange rates in force up to that time were replaced by a simpler system including a variable rate (i.e., a free market rate not controlled by the Government) for exports.1

In conclusion it should be remarked that the terms of many bilateral agreements, especially barter arrangements, provide guaranteed prices which are lower than those prevailing in the country of export. Such arrangements might well be considered as export incentives or even as subsidies.

Disposal of Surpluses

Agricultural price support policies and other schemes for maintaining farm income have led to the accumulation of large surplus stocks of many basic commodities. The mere existence of these stocks and the manner of their disposal are likely to have an unsettling effect on international trade, and are therefore of great concern to countries exporting the commodities involved. The aim of this section is to describe briefly the measures of disposal which have been undertaken in the period under review.

1 Multiple currency practices of all kinds have been described by the International Monetary Fund in its Annual Report for 1955 and by the Bank for International Settlements in its 25th Annual Report.
The Government of Canada is supporting the domestic butter market by offering to buy all surpluses. In June 1955 the support price was 58 cents per lb. wholesale, as compared with a world price of 40 cents per lb. On 1 August 1955 Canadian stocks reached 48,000 tons. To dispose of this surplus, the Government has adopted various internal measures and has offered stocks for sale abroad. In 1955, 314,000 lbs. of butter were sold to Czechoslovakia at 37 cents per lb and about 6.5 million lbs. to a foreign dealer at the same price for resale to Eastern Germany. For wheat also the Canadian Government maintains a support price, and a large carry-over of this commodity has accumulated. The storage and interest costs are met by the Government in order to prevent arbitrary sales abroad which might have a depressing effect on markets. In August 1955 approximately ten million bushels of wheat were sold to Poland for about $20 million - 15 per cent to be paid in cash and the remainder over a twelve-month period, and in February 1956 a three-year agreement was concluded with the Soviet Union for the purchase of Canadian wheat. France has also sold substantial quantities of surplus wheat below the guaranteed domestic price.

Under the price support schemes in the United States the Commodity Credit Corporation has accumulated large stocks, consisting mainly of wheat, corn, rice, cotton, butter and cheese. On 31 December 1955 the Corporation's investment in price-support commodities amounted to $8,666 million. It should, however, be noted that not all the Corporation's holdings are true surpluses, as a part represents normal carry-over and contingency reserves against unforeseen emergencies. The United States Government has eight programmes for disposing of surplus commodities abroad. These may be described as follows:

1. The Corporation offers to sell surplus commodities to traders, for resale abroad, at competitive prices, or at the export prices fixed monthly by the Corporation. Sales are for cash, although since February 1956 the Corporation has been prepared to extend credit up to three years. Total resales by traders under this programme for the period July 1954 to December 1955 were valued at $ . Wheat was the major item, though sales of corn, cotton seed oil, linseed oil and flax seed were also substantial.

2. Under Section 303 of Title III of Public Law 480 of the Agricultural Trade Development and Assistance Act, 1954, Congress authorized the Corporation to arrange with business firms for the exchange of surplus commodities against, in most cases, strategic materials. The prices for the agricultural commodities are the Corporation's export sales prices and those for the materials are not to exceed current market prices in the exporting country.

From the commencement of operations to 31 December 1955 the total sales under the three Titles of Public Law 480 amounted to $1,692 million.
In the period July 1954 to June 1955 sales amounted to $282 million and contracts entered into in the last six months of 1955 covered goods worth $51 million.

3. Section 302 of Title III of Public Law 480\(^1\) authorizes foreign relief donations (mainly of dairy products) through non-profit-making voluntary agencies and intergovernmental organizations. In 1954-55 the commodities disposed of in this way had cost the Corporation about $200 million and in the last six months of 1955 about $126 million.

4. Under Title II of Public Law 480\(^1\), in order to relieve emergency and famine conditions abroad, Congress authorized the expenditure of $300 million in the form of surplus disposal free of cost to the recipient country. Up to the end of 1955 agreements had been made with twenty-three governments covering commodities worth $141 million.

5. Under Title I of Public Law 480\(^1\) Congress authorized an expenditure of $1,500 million over a period of three years, for the disposal of surpluses abroad at the Corporation's dollar export sales prices against payment in foreign currencies to take place in accordance with agreements concluded with the receiving countries; private trade channels were to be used to the maximum extent practicable. The proceeds which are utilized principally for long-term loans and development grants, but also for United States governmental expenditure in the country concerned, are deposited in the currency of the recipient, the United States retaining title thereto. By 31 December 1955 thirty-two agreements had been concluded, covering commodities to the value of some $679 million (CCC cost). Of this amount approximately $280 million was for wheat, $133 million for cotton, and $266 million for other commodities, principally feed grains, rice and tobacco.

6. The programme under Section 402 of the Mutual Security Act is to a considerable extent an extension of the foreign aid programme of earlier years. In 1954-55 at least $350 million of the funds of the Foreign Operations Administration were to be used to finance the export and sale of surplus agricultural commodities for foreign currencies. Private trade channels were to be used whenever possible, the traders to purchase the commodities from the Corporation at its prevailing export sales prices. In that year sales to the value of $467 million to twenty-one countries were authorized - $143 million for grain, $4 million for rice, $250 million for cotton, $15 million for fruit, $24 million for fats and oils, $12 million for dairy products and $2 million for frozen beef. For 1955-56 the amount fixed was $300 million and in the first half of that period sales totalled $ . An interesting variation of the operations under this programme and under Title I of Public Law 480 is the arrangement of triangular deals; for example,

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\(^1\) From the commencement of operations to 31 December 1955 the total sales under the three Titles of Public Law 480 amounted to $1,692 million.
an arrangement was made with the Government of Pakistan, on the one hand, and the Governments of the United Kingdom and Western Germany, on the other, whereby the latter countries exported cotton manufactures to Pakistan to the value of $1.5 million, in exchange for raw cotton from the United States.

7. In January 1956 1 million bales of cotton were sold on the world market, and in February 1956 it was announced that the remaining surplus of five million bales held by the Corporation would be offered on the world market at competitive prices. The cotton may not be exported before August 1956, though forward contracts may be made. The fulfilment of this programme would enable the Corporation to reduce its cotton stocks to the normal carry-over and contingency reserves of 3 million bales.

8. Finally, a special commercial export programme for cheese was introduced in November 1955. Out of the 15 million lbs. on offer, over 2 million were sold by the end of the year. The programme was resumed in January 1956, the offer again being limited to 15 million lbs. Some sales have been made including one million lbs. to the United Kingdom.